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April 14, 2022

Board of Commissioners
Housing Authority of the City of East Chicago
4444 Railroad Avenue
East Chicago, IN 46312

We have reviewed the audit report of the Housing Authority of the City of East Chicago, which was opined upon by Velma Butler & Company, Ltd., Independent Public Accountant, for the period January 1, 2020 to December 31, 2020. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of East Chicago, as of December 31, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Velma Butler & Company, Ltd., prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO, INDIANA

INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED
DECEMBER 31, 2020,
INCLUDING SINGLE AUDIT REPORTS
AND SUMMARY OF AUDITORS' RESULTS

HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO, INDIANA

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of East Chicago
East Chicago, IN 46516

U.S. Department of Housing and Urban
Development, Indianapolis Office
Minton-Capehart Federal Building
575 North Pennsylvania, Room 655
Indianapolis, Indiana 46204

Report on the Financial Statements

We have audited the accompanying financial statements of the primary government business type activities and the component unit of the Housing Authority of the City of East Chicago, Indiana (Authority), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk of assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the audit report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary government and the discretely presented component unit of the Authority, as of December 31, 2020, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose for forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanied financial data schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information such as financial data schedules and schedule of expenditures of federal awards is the responsibility of management and was derived from the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Summarized Comparative Information

We previously audited the Authority's 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements dated September 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Velma Butler & Company, Ltd.
Chicago, Illinois

February 18, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Housing Authority of the City of East Chicago, Indiana
4444 Railroad Ave
East Chicago, IN 46516
PHONE (219) 397-9974 FAX (219) 397-9975

To the Board of Commissioners
Housing Authority of the City of East Chicago, Indiana
East Chicago, IN 46516

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of the City of East Chicago, Indiana (Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on December 31, 2020. The management's discussion and analysis includes information on the past, present and future events that have been enacted, adopted, agreed upon, and/or contracted by the Authority. It focuses on analysis of the financial statements and the improvements in the Authority's management.

We are pleased to submit the financial statements of the Authority for the year ended December 31, 2020. The accuracy of the data presented in the financial statements, as well as its completeness and fairness of presentation, is the responsibility of management. All necessary disclosures to enable the reader to gain an understanding of the Authority's financial affairs have been included in the footnotes accompanying the general purpose financial statements. The purpose of the financial statements is to provide complete and accurate financial information that complies with reporting requirements of the U.S. Department of Housing and Urban Development ("HUD") and the Governmental Accounting Standards Board. The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units.

FINANCIAL HIGHLIGHTS

- Total assets were \$14.6 million at December 31, 2020, and increased by \$5.2 million from \$9.5 million at December 31, 2019, mainly due to changes in current assets.
- Net capital assets were \$9.8 million at December 31, 2020, an increase of \$4.6 million from \$5.2 million at December 31, 2019. The increase is due to the purchase of a building.
- Total liabilities increased by \$4.6 million to \$5.2 million at December 31, 2020 from \$537 thousand at December 31, 2019. The increase is due to the purchase of a building.
- Total net position was \$9.4 million at December 31, 2020, an increase of \$504 thousand from prior year balance of \$8.9 million.

- Total revenue was \$12.2 million at December 31, 2020, an increase of \$117 thousand from the December 31, 2019, balance of \$12.1 million for a change of 1 percent.
- Total expenses increased by \$351 thousand to \$11.7 million at December 31, 2020 from \$11.4 million at December 31, 2019, for a change of 3.1 percent.

USING THIS REPORT

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating, or otherwise changing in a dramatic manner.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information detailing how the Authority's net position changed during the fiscal year. All changes in the net position are reported as soon as the underlying event given rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The *Statement of Cash Flows* provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and related financing activities.

These financial statements report on the functions of the Authority that are principally supported by intergovernmental revenues. The Authority's function is to provide decent, safe, and sanitary housing to low-income and special needs populations, which is primarily funded with grant revenue received from the U.S. Department of Housing and Urban Development (HUD).

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are presented as an enterprise fund whose operations include the low rent, housing choice voucher programs, and a blended component unit.

Fund Financial Statements are groupings of accounts used to maintain control over resources segregated for specific activities or objectives. The Authority, like other state, local, or quasi-governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority's funds only consisted of a *Proprietary Fund*.

The Authority's *Proprietary Fund* is comprised of enterprise funds with "business-type" activities intended to recover all or a portion of their costs through fees and charges for services. Since the Authority maintains its activities in enterprise funds, its Proprietary Fund financial statements provide information about the activities of the Authority as a whole.

Low-Rent Public Housing - Under the Low Rent Housing Program, the Authority rents units it owns to low-income families. The Low Rent Public Housing Program is operated under an annual contribution contract (ACC) with HUD, and HUD provides an operating subsidy to enable the Authority to provide housing at a rent that is based upon 30% of a family's adjusted gross household income.

Capital Fund Program (CFP) - The Low Rent Public Housing Program also includes the CFP, which is the primary funding source for physical management improvements to the Authority's properties. CFP funding is based on a formula allocation that takes into consideration the size and age of the authorities housing stock.

Section 8 Housing Choice Vouchers - The Housing Choice Voucher is the federal government's programs for assisting low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. The programs are administered locally by public housing authorities (PHAs). The PHAs receive funds from HUD to administer the programs. A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Component Unit - If the Authority has oversight responsibility, including financial accountability, appointment of voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Based upon the application of these criteria, the Authority includes all component units of which the Authority appointed a voting majority of the units' board; the Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units - Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Authority's Board of Commissioners of the component unit provides services entirely to the Authority.

Additionally, the Authority is required to undergo an annual single audit as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs.

The financial section provides both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

Net position represents the difference between total assets and total liabilities.

Table 1
East Chicago Housing Authority's Net Position
(in thousands dollars)

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Percent of Change</u>
Current Assets	\$ 4,792	\$ 4,221	\$ 571	13.5%
Capital Assets, Net	9,817	5,202	4,615	88.7%
Non-Current Assets		32	(32)	-100.0%
Total Assets	<u>\$ 14,609</u>	<u>\$ 9,455</u>	<u>\$ 5,154</u>	54.5%
Current Liabilities	\$ 1,275	\$ 438	\$ 837	191.1%
Other Non Current Liabilities	3,911	99	3,812	3850.5%
Total Liabilities	<u>5,186</u>	<u>537</u>	<u>4,649</u>	865.7%
Invested in Capital Assets, Net	5,976	5,202	774	14.9%
Unrestricted	3,269	3,506	(237)	-6.8%
Restricted	178	210	(32)	-15.2%
Total Net Position	<u>9,423</u>	<u>8,918</u>	<u>505</u>	5.7%
Total Liab. and Net Position	<u>\$ 14,609</u>	<u>\$ 9,455</u>	<u>\$ 5,154</u>	54.5%

As shown in Table 1, the Authority's total net position at December 31, 2020, was approximately \$9.4 million, a 5.7 percent increase from the December 31, 2019, balance of \$8.9 million.

Capital Assets

Capital assets increased by approximately \$4.6 million from \$5.2 million to \$9.8 million, as shown in the table below:

Table 2
East Chicago Housing Authority's Capital Assets

	December 31, 2019	Additions and Transfers in	December 31, 2020
Land	\$ 1,199,526	\$	\$ 1,199,526
Building & Improvements	26,545,387	4,985,606	31,530,993
Furniture and Equipment	683,683	143,173	826,856
Construction in Progress	-		-
(Less) Accumulated Depr.	(23,227,032)	(513,579)	(23,740,611)
Total Capital Assets	<u>\$ 5,201,564</u>	<u>\$ 4,615,200</u>	<u>\$ 9,816,764</u>

Depreciation expense was \$513,579. There was no construction in progress at fiscal year end. Capital additions were \$5,143,870 and disposals totaled \$15,091 which were all fully depreciated. Additional information can be found in the notes to the financial statements.

Noncurrent Assets

Noncurrent assets decreased by \$32 thousand due to Authority activity.

Revenues

As shown in Table 3, the Authority's total revenues increased by \$117 thousand or 1 percent to \$12.2 million for the year ended December 31, 2020.

Table 3
Change in East Chicago Housing Authority's Net Position
(in thousands)

Description	2020	2019	Change	Percent of Change
Operating Revenue	\$ 11,201	\$ 11,905	\$ (704)	-5.9%
Non-Operating Revenue	1,011	190	821	432.1%
Total Revenue	<u>12,212</u>	<u>12,095</u>	<u>117</u>	1.0%
Operating Expenses	11,194	10,960	234	2.1%
Depreciation	513	396	117	29.5%
Total Expenses	<u>11,707</u>	<u>11,356</u>	<u>351</u>	3.1%
Change in Net Position	505	739	(234)	-31.7%
Beginning Net Position	8,918	7,901	1,017	12.9%
Prior Period Adjustment	-	278	(278)	
Ending Net Position	<u>\$ 9,423</u>	<u>\$ 8,918</u>	<u>\$ 505</u>	5.7%

Expenses

Total operating expenses, including depreciation, increased by \$351 thousand or 3.1 percent for a total balance of \$11.7 million for the year ended December 31, 2020. Changes are shown below in Table 4:

Table 4
East Chicago Housing Authority's Operating Expenses
(in thousands)

Description	2020	2019	Change	Percent of Change
Administrative Expenses	\$ 2,505	\$ 2,129	\$ 376	17.7%
Tenant Services	98	66	32	48.5%
Utilities Expenses	506	447	59	13.2%
Ordinary Maintenance	1,589	1,767	(178)	-10.1%
Protective Services	237	194	43	22.2%
Insurance Expense	314	241	73	30.3%
General Expenses	257	213	44	20.7%
Interest Expenses	60	7	53	757.1%
Housing Assistance Payments	5,628	5,896	(268)	-4.5%
Depreciation Expense	513	396	117	29.5%
Total Operating Expenses	<u>11,707</u>	<u>11,356</u>	<u>351</u>	3.1%

Expenses primarily increased in maintenance expenses, due to contracts issued for demolition of a property.

BUDGETARY CONTROL

Management submits a proposed operating budget for revenues and expenses for all programs, functions, activities, or objectives for the following fiscal year to the governing body (“Board”). The Board reviews, approves and adopts the budget. Operating monies are determined by rents and operating subsidies provided by HUD, as established by Congress. The operating subsidy is dependent on the availability of federal funds.

The Authority prepares annual five year budgets for its capital grants and project budget for other grants. Capital project budgets are approved and are adopted for five years by the Board and HUD based on Federal funding. They are then annualized to strengthen monitoring and completion benchmarks. Budgeted and actual costs are compared to the five year plan and are monitored by the Authority and HUD. Line item variances are resolved and approved by HUD.

ECONOMIC FACTORS

The Authority is primarily dependent upon HUD for its funding of operations; therefore, operating revenues are more affected by the Federal budget than by local economic conditions.

MAJOR INITIATIVES

The East Chicago Housing Authority continues to provide comprehensive service in the City of East Chicago to assure the existence of affordable housing for low to moderate income individuals and families, senior citizens, and handicapped and disable individuals. Under the leadership of a dedicated Board of Commissioners, and the hard work of true professionals in the field of affordable housing, the Authority continues to thrive, considering the various challenges for federally subsidized housing providers. Improvements have included working hard to enhance our operations internally and seeking external funds to support our residents whenever possible.

CONTACTING THE AUTHORITY’S FINANCIAL MANAGEMENT

This Authority’s financial report is designed to provide a general overview of the Authority’s finances for all those with an interest and to demonstrate the Authority’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chonn Whiting, Finance Director, the Housing Authority of the City of East Chicago, Indiana 4444 Railroad Ave, East Chicago, Indiana 46312 or call (219) 397-9974.

FINANCIAL STATEMENTS

THE HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO, INDIANA
STATEMENT OF NET POSITION
PROPRIETARY TYPE FUNDS - ENTERPRISE FUNDS
DECEMBER 31, 2020 (with 2019 comparative totals)

EXHIBIT A

	2020	2019
	TOTAL	TOTAL
	AUTHORITY	AUTHORITY
ASSETS		
Cash and Cash Equivalents (Unrestricted)	\$ 2,958,859	\$ 2,364,706
Cash and Cash Equivalents (Restricted)	695,918	523,984
Accounts Receivable (net allowances)	600,828	1,010,332
Investments	53,139	52,482
Prepaid, Deposits and Escrows	242,385	82,356
Inventory (net allowances)	240,687	187,084
TOTAL CURRENT ASSETS	<u>4,791,816</u>	<u>4,220,944</u>
Other Assets		32,230
Capital Assets, Net	9,816,764	5,201,564
TOTAL NON-CURRENT ASSETS	<u>9,816,764</u>	<u>5,233,794</u>
TOTAL ASSETS	<u>\$ 14,608,580</u>	<u>\$ 9,454,738</u>
Deferred Outflows of Resources	-	-
LIABILITIES AND NET POSITION		
Accounts Payable	\$ 632,782	\$ 250,437
Tenant Security Deposits	144,103	68,075
Deferred Revenue	227,362	15,091
Accrued Liabilities - Current	199,354	104,520
Notes Payable - Current	71,098	-
TOTAL CURRENT LIABILITIES	<u>1,274,699</u>	<u>438,123</u>
FSS Escrow Deposits	101,936	98,914
Notes Payable - Long-Term	3,809,700	-
TOTAL NON-CURRENT LIABILITIES	<u>3,911,636</u>	<u>98,914</u>
TOTAL LIABILITIES	<u>5,186,335</u>	<u>537,037</u>
Deferred Inflows of Resources	-	-
Invested in Capital Assets	5,976,537	5,201,564
Unrestricted Net Position	3,267,226	3,506,300
Restricted Net Position	178,482	209,837
TOTAL NET POSITION	<u>9,422,245</u>	<u>8,917,701</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 14,608,580</u>	<u>\$ 9,454,738</u>

See accompanying notes to the financial statements.

THE HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO, INDIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY TYPE FUNDS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020 (with 2019 comparative totals) EXHIBIT B

	2020 TOTAL AUTHORITY	2019 TOTAL AUTHORITY
OPERATING REVENUES		
Net Tenant Rental Revenue	\$ 1,650,366	\$ 1,259,900
HUD Operating Grants	9,268,461	10,491,766
Other Income	281,752	153,230
TOTAL OPERATING REVENUES	11,200,579	11,904,896
OPERATING EXPENSES		
Administrative Expenses	2,504,957	2,128,944
Tenant Services	97,689	66,375
Utilities Expense	506,367	446,976
Ordinary Maintenance and Materials	1,589,036	1,766,896
Protective Services	236,842	194,245
Insurance Expense	313,844	240,890
General Expenses	256,943	213,393
Interest	59,729	7,575
Housing Assistance Payments	5,628,136	5,895,687
Depreciation Expense	513,579	395,508
TOTAL OPERATING EXPENSES	11,707,122	11,356,489
OPERATING INCOME (LOSS)	(506,543)	548,407
NON-OPERATING REVENUES (EXPENSES)		
Interest	7,448	14,612
INCOME BEFORE OTHER REVENUES (EXPENSES)	7,448	14,612
CAPITAL CONTRIBUTIONS AND TRANSFERS		
Capital Contributions	1,003,639	83,815
Gain/(Loss) Disposal of Equipment	-	90,990
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	1,003,639	174,805
CHANGE IN NET POSITION	504,544	737,824
NET POSITION AT BEGINNING OF PERIOD	8,917,701	7,901,956
PRIOR PERIOD ADJUSTMENT	-	277,921
NET POSITION AT END OF PERIOD	\$ 9,422,245	\$ 8,917,701

See accompanying notes to the financial statements.

THE HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO, INDIANA
STATEMENT OF CASH FLOWS
PROPRIETARY TYPE FUNDS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020 (with 2019 comparative totals) EXHIBIT C

	2020	2019
	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants and Others	\$ 11,200,579	\$ 11,904,896
Payments to Employees	(2,166,347)	(1,733,659)
Payments to Vendors and Suppliers	(7,077,548)	(8,788,138)
Net Cash Provided by Operating Activities	<u>1,956,684</u>	<u>1,383,099</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/Decrease in Investments	(657)	(647)
Interest Income	7,448	14,613
Net Cash (Used In) Provided by Investing Activities	<u>6,791</u>	<u>13,966</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES		
Capital Grants	1,003,639	83,815
(Purchase) of Capital Assets	(6,081,825)	(584,482)
Gain/(Loss) on Disposal of Assets	-	90,990
Advance/(Payment) on Notes Payable	3,880,798	-
Net Cash (Used In) Provided by Capital and Related Activities	<u>(1,197,388)</u>	<u>(409,677)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>766,087</u>	<u>987,388</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	2,888,690	1,901,302
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	<u>\$ 3,654,777</u>	<u>\$ 2,888,690</u>
Reconciliation to Statement of Net Assets		
Unrestricted Cash and Cash Equivalents	\$ 2,958,859	\$ 2,364,706
Restricted Cash and Cash Equivalents - Current	695,918	523,984
Cash and Cash Equivalents at end of Fiscal Year	<u>\$ 3,654,777</u>	<u>\$ 2,888,690</u>
Reconciliation of Operating Loss to Net Cash (Used) / Provided by Operating Activities		
Net operating Income/(Loss)	\$ 504,544	\$ 737,824
Adjustments To Reconcile		
Add Back Depreciation	513,579	395,507
Prior Period Adjustment	-	277,921
Change in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	409,504	347,291
(Increase)/Decrease in Prepaid Expenses and Deposits	(160,029)	(8,991)
(Increase)/Decrease in Material Inventory	(53,603)	28,684
(Increase)/Decrease in Other Assets	32,230	1,451
Increase/(Decrease) in Accounts Payable	400,332	(358,031)
Increase/(Decrease) in Accrued Liabilities	94,834	(79,221)
Increase/(Decrease) in Deferred Revenue	212,271	-
Increase/(Decrease) in FSS Escrow Deposits	3,022	40,664
Net Cash Provided by Operating Activities	<u>\$ 1,956,684</u>	<u>\$ 1,383,099</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES		
See accompanying notes to the financial statements.		
Interest Paid During the Year	\$ 59,729	\$ 7,575

NOTES TO THE FINANCIAL STATEMENTS

**THE HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 1 - Summary Of Significant Accounting Policies

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units.

A. Organization and Program Description

The Housing Authority was established January 25, 1965 by the City of East Chicago pursuant to the laws of the State of Indiana, as a municipal corporation (IC36-7-18-14), to transact business and to have powers as defined therein to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of East Chicago and concluded the City does not maintain an oversight responsibility for the Authority's operations. However, the Housing Authority is a related organization to the City of East Chicago since an independent seven member Board of Commissioners appointed and removed by the Mayor of the City of East Chicago, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of East Chicago is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has a component unit that is presented in these financial statements under the blended method.

As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the various program activities of the Authority. The Authority's assets, liabilities and results of operations are segregated into public housing and grant programs as follows:

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Low Rent Housing - The low rent housing program provides subsidized housing to low income residents. The Authority is the owner of public housing units located throughout the city. The Authority receives revenue from dwelling rental income and operating subsidies and capital repair funds from HUD. "Capital Funds," provided by HUD, are used to improve the physical condition, management and operation of existing public housing developments. The low rent housing program is reported as an enterprise fund.

Section 8 Housing Choice Voucher Program - The Authority participates in the Housing Choice Voucher Program. This program is designed to provide privately owned, decent, safe and sanitary housing to low income families. The Authority provides assistance to low income persons seeking decent, safe and sanitary housing by subsidizing rents between such persons and owners of existing private housing. Under the program, the Authority enters into housing assistance payment contracts with eligible landlords. To fund the program, the Authority enters into annual contribution contracts with HUD for the receipt of rental subsidies. The Housing Choice Voucher program is also reported as an enterprise fund.

Various Other Grant Programs - The Authority participates in Resident Opportunity for Self Sufficiency (ROSS), and receives Local funding, which assists the needs of the residents.

B. Reporting Entity

The reporting entity for the Authority includes its Enterprises Funds. The Authority is a separate governmental entity created for the purpose of constructing, maintaining, and operating public housing and providing rental assistance to low income and elderly persons. Most funding is provided by the United States Department of Housing and Urban Development (HUD). All funds and programs are included in these statements.

Component Units

Blended Component Units

Consistent with applicable guidance, the criteria used by the Authority to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The Authority included organizations as component units under the following financial accountability criteria: (1) Organizations for which the Authority appoints a voting majority of the organizations governing body and for which (a) the Authority is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Authority. (2) A financial benefit or burden relationship between the Authority and the component unit. (3) Management of the Authority has operational responsibility for the activities of the component unit.

The following is a brief description of the blended component unit meeting the above criteria that is included in the PHA's financial report entity.

**THE HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO, INDIANA
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The first non-profit is known as Managed East Chicago Housing Authority (MECHA). MECHA was formed to carry out or assist in carrying out low-income housing projects, including assistance by borrowing and lending funds, with an emphasis on low-income housing projects formed or financed in compliance with Section 8 of the United State Housing Act of 1937 and the regulations promulgated there under. The second non-profit corporation, East Chicago Community Housing Corporation, was formed to provide affordable, decent and safe housing to low and moderate income individuals and families within the City and East Chicago County.

Separate financial statements for MECHA can be obtained by contacting the Executive Director of the Housing Authority of the City of East Chicago, Indiana.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Authority are organized and operated on the basis of fund accounts. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounts segregate funds according to their intended purpose and are used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Enterprise Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time they are incurred. All assets and liabilities associated with the operation of these funds are included on the balance sheet.

D. Fund Accounting

Accounts are organized on the basis of funds. Each fund represents a separate program with a separate set of self-balancing accounts. All funds are reported as enterprise funds and are grouped as follows:

- PHA-Owned Housing consists of HUD-financed public housing owned by the Authority. Individual funds account for activities of the low-rent housing program, each capital fund phase, and the central office cost center. The funds are collectively called low rent housing.
- Section 8 Program consists of HUD payment of rents for tenants in privately owned housing and fees to the housing authority for operating the program. An individual fund is use for the Housing Choice Voucher Program.
- Various other programs which the Authority operates, including Residential Opportunity and Self Sufficiency, blended component units, and other various state and local programs are accounted for in individual funds.

THE HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Proprietary Funds – The Authority’s operations are accounted for in a single *Enterprise Fund*. Enterprise Funds account for those operations that are financed and operated in a manner similar to private business or where the Authority has decided that the determination of revenues earned, costs incurred and/or net income are necessary for management accountability.

Management’s Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents are defined as short-term, highly liquid investments that are both: readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes all demand deposits, saving accounts and certificates of deposits or short-term investments with a maturity date of three months or less. Restricted assets include cash legally restricted as to their use. The primary restricted assets are related to the low rent, housing opportunity program, component unit and housing choice voucher program for various funds restricted for tenants. The housing choice voucher program has additional restricted funds for future housing assistance payments.

Investments – Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40 *Deposit and Investment Risk Disclosures*. Federal statutes authorize investment of excess federal funds in instruments guaranteed by the federal government. The Authority has adopted this policy for all invested funds, whether or not they are federal funds. GASB Statement No. 40 requires general disclosures by investment type with disclosures of the specific risks to which those investments are exposed. Investments exposed to credit risk, custodial credit risk, concentration of credit risk (5% of total net position), interest rate risk, and foreign currency risk must be disclosed, and the government reporting unit is required to describe their deposit or investment policies (or the lack of a policy) that relate to the risks stated above, if they are subject to them.

Custodial Credit Risk

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

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Credit Risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

Concentrations of Credit Risk is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

Investment Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Receivables - Receivables consist of all revenues earned at year-end, but not yet received. Allowances for uncollectible receivables are based on historical trends and periodic aging of receivables.

Inter-program Due to/from - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund balance sheet.

Inventories - Inventories are valued at average cost and cost of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Risk Management - The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation. Settled claims have not exceeded insurance coverage or the risk pool coverage in the current or past three years and there has been no significant reduction in insurance coverage during the fiscal year.

Capital Assets - Capital Assets consist of assets purchased or acquired at a cost of \$5,000 or greater and an estimated useful life of one year or greater. All capital assets are stated at historical costs or estimated historical cost if actual cost is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Capital assets depreciated using straight-line method of depreciation over their estimated useful lives as follows:

Buildings	27-1/2 years
Equipment	5 years
Transportation Equipment	5 years
Furniture and Fixtures	5 years
Leasehold Improvements	10 years

THE HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO, INDIANA
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Compensated Absences - Vacation hours an employee is entitled to for the current year are placed into a new bank for immediate use (does not include new employees with less than one year of service). New employees must wait until their one year anniversary to take vacation. This new bank of vacation time must be take in full by the end of the current year or it is lost. If an employee leaves the agency before the end of the year due to retirement, termination, resignation, job elimination, etc., any excess vacation hours not take will be included in the final paycheck.

Employee's hours vacation hours as of December 31, 1997 were placed into an old bank but will be used until they have used all of their new vacation bank. Unused vacation time from the old bank as of December 31, 1997 will be paid out unless fully exhausted. Maximum vacation hours from the old bank if an employee is entitled to if they leave the agency is still 360 hours. For all compensated absences, the expense is valued at the pay rates in effect at the end of the Authority's fiscal year.

Vacation leave must be requested at least two (2) weeks in advance with available time verified by accounting and approved by the supervisor and the executive director. Vacation time is taken in increments of hours only (i.e. no quarter, half, and three-fourths hours).

Employees can accumulate a maximum of 240 hours of sick leave. For every three (3) months the accumulated sick leave is consistently 240 hours, the employee earns 8 additional hours of vacation leave the following month. Since the Authority has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Annual Leave

- A. Annual leave requests are granted on a seniority basis based on years of employment. Employees are required to take annual leave in the year in which it is received. Annual leave will not be advanced to employees except at the discretion of the executive director. Newly hired employees are not entitled to annual leave until they have successfully completed one full year of employment, except at the discretion of the executive director.
- B. All permanent full-time administrative employees shall receive a paid vacation after one full year of employment. Paid vacations will be granted as follows to employees according to years of service:

½ on January 16, ½ on July 16

Less than five years - 12 days annually

More than 5 years, but less than 10 years - 18 days annually

Ten years or more - 24 days annually

All permanent full-time maintenance employees shall receive a paid vacation after one full year of employment. Paid vacations will be granted as follows to employees according to years of service.

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Accumulation of Vacation Time

Cumulative maximum carryover of unused leave at the beginning of any leave year may not exceed forty-five (45) days of vacation accrual for any employee, if applicable.

Net Position - Net position is comprised of three categories: (1) net investment in capital assets, (2) restricted net assets, and (3) unrestricted net assets. Each component of net position is reported separately on the statement of net position.

(1) Investment in capital assets, net of related debt - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

(2) Restricted - the component of net position that reports the amount of revenue from a federal or state award for service programs in excess of expenditures. These funds are restricted for the use of the related federal or state program.

(3) Unrestricted - The difference between the assets and liabilities that is not reported in the net position invested in capital, net of related debt or net position restricted for federal and state programs.

It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fair Value - The Authority follows GASB Statement No. 72, Fair Value Measurement. This Statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy and valuation techniques. The disclosures are organized by type asset or liability reported at fair value. The implementation has had no material impact on the financial statements of the Authority.

Retirement Plan - The Authority has established a 457(b) deferred compensation plan for its employees in accordance with Internal Revenue Code Section 501. The plan is administrated by a private administrator. All contributions are immediately vested. For calendar year 2020, salary deferral could not exceed \$19,500.

Operating Revenues and Expenses - Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position in the non-operating revenue and expense.

Federal Awards - Federal grants for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Awards received prior to meeting revenue recognition criteria are recorded as deferred revenue. Operating grants are recorded as revenue in the year earned.

Compliance - The Authority is subject to various federal, state and local laws and regulations and contractual regulations.

Note 2 - Budget Information

Enterprise Funds - The Authority is required by contractual agreements to adopt annual operating budgets for all its enterprise funds receiving federal expenditure awards. The Fiscal Services Director prepares all budgets on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America.

Operating budgets for the year are prepared for all program activities. Budgets are submitted by the Authority's Executive Director and approved by resolutions of the Board of Commissioners and/or HUD. Appropriations for capital projects are authorized at the fund and expenditure level, and effective budgetary control is achieved through periodic budgeting and reporting requirements.

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents totaled \$3,912,797 at December 31, 2020, and are maintained in commercial checking accounts and are readily available. Cash amounts in excess of the \$250,000 insured by the government were collateralized by government securities and held in the pledging financial institutions' trust departments in the Authority's name. HUD regulations require authorities to maintain funds in accounts that are fully collateralized by United States government securities. Of the total cash on hand the breakdown between unrestricted and restricted is shown below:

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Unrestricted Cash	\$ 2,958,859
Restricted Cash:	
Tenant Security Deposits	144,103
FSS Escrow	101,936
Housing Assistance Payments	178,482
CARES Act Funding	183,397
Component Unit Reserve	88,000
Total Restricted Cash	<u>695,918</u>
Total Cash	<u>\$ 3,654,777</u>

Note 4 - Accounts Receivable

At December 31, 2020, accounts receivable totaled \$600,828 and consisted of the following:

Accounts Receivable - Tenants	\$ 26,134
Allowance for Doubtful Accounts -	-
Tenants	(13,342)
Accounts Receivable - HUD	162,422
Accounts Receivable - Fraud Recovery	30,450
Allowance for Doubtful Accounts - Fraud	(30,450)
Accounts Receivable - Others	425,614
Total	<u>600,828</u>

The Authority reviews the accounts receivable periodically. In fiscal year 2020, the Authority had collection losses totaling \$39,185. Accounts receivable inter-fund of \$1,418,152 was offset and by accounts payable interfund and eliminated.

Note 5 - Prepaid Expenses

Prepaid expenses totaled \$242,385 at December 31, 2020, and consisted of primarily prepaid insurances.

Note 6 - Material Inventories

Material inventories at December 31, 2020 totaled \$240,687, and consist of items used to maintain upkeep of units totaling \$243,118 with an allowance of negative (\$2,431). Inventories are valued at average cost and cost of expendable supplies held for consumption. The cost of inventories is recorded as expenditures when consumed.

Note 7 - Land, Structures and Equipment

Total capital assets were \$9,816,764, and the changes in land, structures and equipment for the year ended December 31, 2020, were as follows:

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	December 31, 2019	Additions and Transfers in	December 31, 2020
Land	\$ 1,199,526	\$	\$ 1,199,526
Building & Improvements	26,545,387	4,985,606	31,530,993
Furniture and Equipment	683,683	143,173	826,856
Construction in Progress	-		-
(Less) Accumulated Depr.	(23,227,032)	(513,579)	(23,740,611)
Total Capital Assets	<u>\$ 5,201,564</u>	<u>\$ 4,615,200</u>	<u>\$ 9,816,764</u>

Depreciation expense was \$513,579. There was no construction in progress at fiscal year end. Capital additions were \$5,143,870 and disposals totaled \$15,091 which were all fully depreciated.

Note 8 - Accounts Payable

Accounts payable totaled \$632,782 at December 31, 2020, which consisted of \$632,782 owed to vendors.

Accounts payable inter-fund of \$1,418,152 was offset and by accounts receivable interfund and eliminated.

Note 9 - Tenant Security Deposits

Tenant security deposits totaled \$144,103, at December 31, 2020.

Note 10 - Deferred Revenue

Deferred revenue totaled \$227,362, which consisted of prepaid rents and advanced CARES Act funding.

Note 11 - Accrued Liabilities

Accrued liabilities totaled \$199,354, at December 31, 2020, and the breakdown is as follows:

Accrued Wages	\$ 136,880
Other Accrued Liabilities	<u>62,474</u>
Total Current Accrued Liabilities	<u>\$ 199,354</u>

The Authority recognizes leave taken as a current year's salary expense during the year in which the leave is taken. Vacation pay is not accrued for and forgiven at the end of each year.

Note 12 - Family Self Sufficiency Escrow

At December 31, 2020 the Authority had Family and Self Sufficiency (FSS) escrow of \$101,936 of amounts due to tenants.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 13 - Notes Payable

The component unit of the Authority, MECHA, obtained two mortgages from Centier Bank in July 2020, totaling \$4,680,000, and are secured by real property. The interest rate is 4.75 percent, and the mortgage matures in 30 years. Monthly payments are \$10,853 and include both principal and interest. The outstanding balance at December 31, 2020, was \$3,880,798.

Below is breakdown of the current and non-current portions of the notes payable:

<u>Year</u>	<u>Amount</u>
Current Year Portion	\$ 71,098
Long-Term Portion	
December 31, 2022	82,008
December 31, 2023	90,876
December 31, 2024	107,076
December 31, 2025	119,844
December 31, 2025 and thereafter	<u>3,409,896</u>
Total Long-Term Payments	\$ 3,809,700
Total Notes Payable	<u>\$ 3,880,798</u>

Note 14 - Employee Benefit Plans

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan with Alliance Pension Consultants. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan requires the Authority to contribute 14.7% of the employee's base salary each month for employees hired prior to June 30, 2018. The Authority's contribution for each employee is vested after 5 years. The Authority's contributions forfeited by employees who leave employment prior to vesting are used to reduce current costs and contribution requirements. The plan may be amended at the discretion of the Board of Commissioners. The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

For the fiscal year ended actual contributions by the housing authority were \$200,101 and total annual payroll expense was \$2,166,347. The total plan assets at December 31, 2020, were \$3,129,030, as follows:

THE HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO, INDIANA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

Description	Amount
Beginning Balance	\$ 2,887,870
Contributions	200,101
Forfeiture	-
Net Withdrawals	(96,216)
Fees and Charges	(33,576)
Changes in Value	170,851
Ending Balance	\$ <u>3,129,030</u>

The Authority does offer a deferred compensation plan that is entirely voluntary and managed by Alliance Pension Consultants.

Note 15 - Operating Lease Commitments

The Authority has under its normal operations entered into commitments for the purchase of maintenance, cleaning, property rental and other services. Such commitments are monthly or annual.

The Authority also has certain contingent liabilities resulting from claims and commitments incident to the ordinary course of business. Management expects that final resolution of such contingencies will not materially affect the financial position of the Authority.

Note 16 - Administrative Fees

The Authority receives an "Administrative Fee" as part of each of the annual contributions contract from HUD to cover the costs (including overhead) of administering the Housing Choice Voucher Housing Assistance programs.

Note 17 - Allocation of Cost

The Authority allocates expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units or staff in each program. Management considers this to be an equitable method of allocation.

Note 18 - Pending or Threaten Litigation

Case #1

Litigation was commenced in this matter on March 31, 2016. The date of loss is between January 1, 2016 and February 5, 2016. Plaintiff maintains that her Constitutional rights have been violated by unreasonable searches of her apartment pursuant to policies set forth in ECHA's lease. This matter has been certified for class action. Discovery has been completed and a Motion for Summary Judgment has been filed.

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Plaintiffs in this case sought a limited amount of monetary damages, as the actual damages are minimal. However, Plaintiffs succeeded in obtaining an injunction preventing ECHA from engaging in certain practices. This matter was pending as of December 1, 2019, but the parties are currently in process of finalizing a settlement agreement, which involves a federal Consent Decree. ECHA has no known financial exposure at this time; however, in the event that the Consent Decree is violated, the possibility exists that penalties and sanctions could exceed the materiality threshold. The Consent Decree is effective for two years from the date of entry.

Case #2

Litigation represents four separate law suits, which was commenced in this matter on September 15, 2016, August 15, 2016, December 4, 2017, and September 4, 2018. These cases are a number of expected litigation matters filed on the basis of personal injuries and Constitutional violations resulting from the discovery of excessive lead contamination on the property of the West Calumet Complex, a housing development which had been owned and operated by ECHA.

Plaintiffs, generally, are former residents of the West Calumet Complex alleging that they and their minor children have suffered illness and/or injury as a result of exposure to lead. Although ECHA is only one of several defendants named, the potential liability could be significant. However, liability is difficult to gauge at this point, because preliminary motions are still being filed and ECHA's status as a defendant, at least in this particular matter, remains somewhat uncertain.

ECHA has submitted all matters to its insurance carrier for review, and coverage has been approved. Harris Law Firm has been retained to defend this matter along with Ice Miller, LLP, which is acting as special counsel in these of toxic tort litigation. Motions to dismiss have been filed in all cases, and preliminary discovery plans have been established. The Court's ruling on at least one matter has been appealed by the Indiana Attorney General; in the event that settlement is a possibility to be considered in these matters, it is likely that a significant amount of time will pass before any meaningful discussions would ever take place.

Unasserted Claims and Assessments

The statute of limitations has not yet expired for the initiation of litigation against ECHA with regard to lead contamination in the former West Calumet Complex. ECHA has received numerous tort claim notices with regard to this matter, and it is some possible that some of the claimants have not yet associated them class-action litigation, but may still have the opportunity to do so. ECHA's position remains to deny, either explicitly or inherently by operation of law, all tort of claims will ultimately develop into state-court civil litigation.

Note 19 - Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2020, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended December 31, 2020. Management has performed their analysis through February 18, 2022, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

THE HOUSING AUTHORITY OF EAST CHICAGO, INDIANA
COMBINING SCHEDULE OF PROGRAM NET POSITION ACCOUNTS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
DECEMBER 31, 2020

	COCC & Low Rent	Housing Choice Vouchers	ROSS	Blended Component Unit	Eliminations	2020 TOTAL
ASSETS						
Cash and Cash Equivalents (Unrestricted)	\$ 2,661,014	\$ 297,845	\$	\$	\$	2,958,859
Cash and Cash Equivalents (Restricted)	58,078	463,815		174,025		695,918
Accounts Receivable (net allowances)	1,779,560	10,503	24,712	204,205	(1,418,152)	600,828
Investments				53,139		53,139
Prepaid, Deposits and Escrows	98,463	112,924		30,998		242,385
Inventory (net allowances)	202,412			38,275		240,687
TOTAL CURRENT ASSETS	4,799,527	885,087	24,712	500,642	(1,418,152)	4,791,816
Other Assets						-
Capital Assets, Net	4,392,869	33,997		5,389,898		9,816,764
TOTAL NON-CURRENT ASSETS	4,392,869	33,997	-	5,389,898	-	9,816,764
TOTAL ASSETS	\$ 9,192,396	\$ 919,084	\$ 24,712	\$ 5,890,540	\$ (1,418,152)	\$ 14,608,580
LIABILITIES AND NET POSITION						
Accounts Payable	\$ 930,377	\$ 406,248	\$ 24,712	\$ 689,597	\$ (1,418,152)	\$ 632,782
Tenant Security Deposits	58,078			86,025		144,103
Deferred Revenue	11,430	183,397		32,535		227,362
Accrued Liabilities - Current	167,674	15,024		16,656		199,354
Notes Payable - Current				71,098		71,098
TOTAL CURRENT LIABILITIES	1,167,559	604,669	24,712	895,911	(1,418,152)	1,274,699
FSS Escrow Deposits		101,936				101,936
Notes Payable				3,809,700		3,809,700
TOTAL NON-CURRENT LIABILITIES	-	101,936	-	3,809,700	-	3,911,636
TOTAL LIABILITIES	1,167,559	706,605	24,712	4,705,611	(1,418,152)	5,186,335
Invested in Capital Assets	4,392,869	33,997	-	1,549,671	-	5,976,537
Unrestricted Net Position	3,631,968	-	-	(364,742)	-	3,267,226
Restricted Net Position		178,482				178,482
TOTAL NET POSITION	8,024,837	212,479	-	1,184,929	-	9,422,245
TOTAL LIABILITIES AND NET POSITION	\$ 9,192,396	\$ 919,084	\$ 24,712	\$ 5,890,540	\$ (1,418,152)	\$ 14,608,580

**THE HOUSING AUTHORITY OF EAST CHICAGO, INDIANA
COMBINING SCHEDULE OF PROGRAM NET POSITION ACCOUNTS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	COCC & Low Rent	Housing Choice Vouchers	ROSS	Blended Component Unit	Eliminations	2020 TOTAL
OPERATING REVENUES						
Net Tenant Rental Revenue	\$ 1,011,987	\$	\$	\$ 638,379	\$	\$ 1,650,366
HUD Operating Grants	3,019,034	6,171,276	78,151			9,268,461
Other Income	986,774	99,809		3,142	(807,973)	281,752
TOTAL OPERATING REVENUES	5,017,795	6,271,085	78,151	641,521	(807,973)	11,200,579
OPERATING EXPENSES						
Administrative Expenses	2,524,700	708,022	5,157	75,051	(807,973)	2,504,957
Tenant Services	24,695		72,994			97,689
Utilities Expense	424,934			81,433		506,367
Ordinary Maintenance and Materials	1,340,059	1,329		247,648		1,589,036
Protective Services	229,493	1,053		6,296		236,842
Insurance Expense	245,452	16,219		52,173		313,844
General Expenses	124,418	38,174		94,351		256,943
Interest				59,729		59,729
Housing Assistance Payments		5,628,136				5,628,136
Depreciation Expense	388,545	3,778		121,256		513,579
TOTAL OPERATING EXPENSES	5,302,296	6,396,711	78,151	737,937	(807,973)	11,707,122
OPERATING INCOME (LOSS)	(284,501)	(125,626)	-	(96,416)	-	(506,543)
NON-OPERATING REVENUES (EXPENSES)						
Interest	5,993	500		955		7,448
INCOME BEFORE OTHER REVENUES (EXPENSES)	5,993	500	-	955	-	7,448
CAPITAL CONTRIBUTIONS AND TRANSFERS						
Capital Contributions	1,003,639					1,003,639
Transfers	(127,768)	127,768				-
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	875,871	127,768	-	-	-	1,003,639
CHANGE IN NET POSITION	597,363	2,642	-	(95,461)	-	504,544
NET POSITION AT BEGINNING OF PERIOD	7,427,474	209,837	-	1,280,390	-	8,917,701
PRIOR PERIOD ADJUSTMENT						
NET POSITION AT END OF PERIOD	\$ 8,024,837	\$ 212,479	\$ -	\$ 1,184,929	\$ -	\$ 9,422,245

THE HOUSING AUTHORITY OF EAST CHICAGO, INDIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

FEDERAL GRANTOR	PROGRAM OR AWARD CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
Major Programs			
<u>U.S. Department of Housing and Urban Development</u>			
Low Rent Public Housing Program			
Low Rent Public Housing	14.850	\$ 1,956,297	\$ 3,772,194
Public Housing Capital Fund Program	14.872	1,755,410	1,755,410
Total Low Rent Housing Programs		<u>3,711,707</u>	<u>5,527,604</u>
Total Major Programs		3,711,707	5,527,604
Non-Major Programs			
<u>U.S. Department of Housing and Urban Development</u>			
Low Rent Public Housing Program			
Housing Choice Vouchers	14.871	6,078,678	6,373,679
Total Housing Choice Voucher Cluster		<u>6,078,678</u>	<u>6,373,679</u>
Resident Opportunity and Self Sufficiency	14.870	78,151	78,151
Public Housing CARES Act Funding	14.PHC	230,012	230,012
HCV CARES Act Funding	14.HCC	60,807	60,807
Total Non-Major Programs		<u>6,447,648</u>	<u>6,742,649</u>
Total All Programs		<u>\$ 10,159,355</u>	<u>\$ 12,270,253</u>

**THE HOUSING AUTHORITY OF EAST CHICAGO, INDIANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of East Chicago, Indiana (Authority) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the Authority's consolidated financial statements.

The schedule summarizes the federal funds expended by the Authority under the programs of the federal government during the year ended December 31, 2020. The awards are classified into major and non-major program categories in accordance with the provisions of the Uniform Guidance. The schedule of expenditures of federal awards displays the Authority's expenditures charged to federal programs for the year ended December 31, 2020, and should be read in conjunction with the Authority's consolidated financial statements.

The Authority did not elect to use the 10% de minimis cost rate as covered in 2 CFR 200.414 Indirect (F&A) costs.

Note 2 - Sources of Funding

The schedule includes all grants and contracts entered into directly between the Authority and agencies and departments of the federal government, as well as federal funds passed-through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

Note 3 - Sub-recipients

There were no sub-recipients for the year ended December 31, 2020.

Note 4 - Loans Outstanding

There were no federal loans outstanding for the year ended December 31, 2020.

Note 5 - Non-Cash Assistance

The Authority provided no non-cash assistance for the year ended December 31, 2020.

Note 6 - Insurance

The Authority had no federal insurance for the year ended December 31, 2020.

Housing Authority of the City of East Chicago (IN029)
EAST CHICAGO, IN
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	Project Total	14.PHC Public Housing CARES Act Funding	6.2 Component Unit - Blended	14.CCC Central Office Cost Center CARES Act Funding	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$2,661,014				\$297,845				\$2,958,859		\$2,958,859
112 Cash - Restricted - Modernization and Development											
113 Cash - Other Restricted					\$280,418		\$183,397		\$463,815		\$463,815
114 Cash - Tenant Security Deposits	\$58,078		\$86,025						\$144,103		\$144,103
115 Cash - Restricted for Payment of Current Liabilities			\$88,000		\$0				\$88,000		\$88,000
100 Total Cash	\$2,719,092	\$0	\$174,025	\$0	\$578,263	\$0	\$183,397	\$0	\$3,654,777	\$0	\$3,654,777
121 Accounts Receivable - PHA Projects											
122 Accounts Receivable - HUD Other Projects	\$255,849	\$80,954		\$0		\$24,712			\$361,515		\$361,515
124 Accounts Receivable - Other Government			\$162,422						\$162,422		\$162,422
125 Accounts Receivable - Miscellaneous	\$1,164		\$41,725		\$10,503		\$10,680		\$64,072		\$64,072
126 Accounts Receivable - Tenants	\$26,059		\$75						\$26,134		\$26,134
126.1 Allowance for Doubtful Accounts - Tenants	-\$13,298		-\$44						-\$13,342		-\$13,342
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0		\$0	\$0	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current											
128 Fraud Recovery					\$30,450				\$30,450		\$30,450
128.1 Allowance for Doubtful Accounts - Fraud					-\$30,450				-\$30,450		-\$30,450
129 Accrued Interest Receivable			\$27						\$27		\$27
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$269,774	\$80,954	\$204,205	\$0	\$10,503	\$24,712	\$0	\$10,680	\$600,828	\$0	\$600,828
131 Investments - Unrestricted			\$53,139						\$53,139		\$53,139
132 Investments - Restricted											
135 Investments - Restricted for Payment of Current Liability											
142 Prepaid Expenses and Other Assets	\$90,406		\$30,998		\$112,924			\$8,057	\$242,385		\$242,385
143 Inventories	\$204,456		\$38,662						\$243,118		\$243,118
143.1 Allowance for Obsolete Inventories	-\$2,044		-\$387						-\$2,431		-\$2,431
144 Inter Program Due From	\$636,819						\$781,333		\$1,418,152	-\$1,418,152	\$0
145 Assets Held for Sale											
150 Total Current Assets	\$3,918,503	\$80,954	\$500,642	\$0	\$701,690	\$24,712	\$183,397	\$800,070	\$6,209,968	-\$1,418,152	\$4,791,816
161 Land	\$974,718		\$224,808						\$1,199,526		\$1,199,526
162 Buildings	\$26,148,425		\$5,382,568						\$31,530,993		\$31,530,993
163 Furniture, Equipment & Machinery - Dwellings											
164 Furniture, Equipment & Machinery - Administration	\$630,927				\$60,496			\$135,433	\$826,856		\$826,856
165 Leasehold Improvements											
166 Accumulated Depreciation	-\$23,407,578		-\$217,478		-\$26,499		-\$89,056		-\$23,740,611		-\$23,740,611
167 Construction in Progress											
168 Infrastructure											
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,346,492	\$0	\$5,389,898	\$0	\$33,997	\$0	\$0	\$46,377	\$9,816,764	\$0	\$9,816,764
171 Notes, Loans and Mortgages Receivable - Non-Current											
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due											
173 Grants Receivable - Non Current											
174 Other Assets											
176 Investments in Joint Ventures											
180 Total Non-Current Assets	\$4,346,492	\$0	\$5,389,898	\$0	\$33,997	\$0	\$0	\$46,377	\$9,816,764	\$0	\$9,816,764
200 Deferred Outflow of Resources											
290 Total Assets and Deferred Outflow of Resources	\$8,264,995	\$80,954	\$5,890,540	\$0	\$735,687	\$24,712	\$183,397	\$846,447	\$16,026,732	-\$1,418,152	\$14,608,580

Housing Authority of the City of East Chicago (IN029)
EAST CHICAGO, IN
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	Project Total	14.PHC Public Housing CARES Act Funding	6.2 Component Unit - Blended	14.CCC Central Office Cost Center CARES Act Funding	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
311 Bank Overdraft											
312 Accounts Payable <= 90 Days	\$188,329		\$32,620		\$41,898			\$47,188	\$310,035		\$310,035
313 Accounts Payable >90 Days Past Due											
321 Accrued Wage/Payroll Taxes Payable	\$40,183		\$4,825		\$13,734			\$78,138	\$136,880		\$136,880
322 Accrued Compensated Absences - Current Portion											
324 Accrued Contingency Liability											
325 Accrued Interest Payable											
331 Accounts Payable - HUD PHA Programs					\$2,216				\$2,216		\$2,216
332 Account Payable - PHA Projects											
333 Accounts Payable - Other Government	\$58,041		\$27,325						\$85,366		\$85,366
341 Tenant Security Deposits	\$58,078		\$86,025						\$144,103		\$144,103
342 Unearned Revenue	\$11,430		\$32,535		\$0		\$183,397		\$227,362		\$227,362
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			\$71,098						\$71,098		\$71,098
344 Current Portion of Long-term Debt - Operating Borrowings											
345 Other Current Liabilities			\$235,158		\$7				\$235,165		\$235,165
346 Accrued Liabilities - Other	\$46,459		\$11,831		\$1,290		\$2,894		\$62,474		\$62,474
347 Inter Program - Due To		\$80,954	\$394,494		\$362,127	\$24,712	\$555,865		\$1,418,152	-\$1,418,152	\$0
348 Loan Liability - Current					\$0	\$0			\$0		\$0
310 Total Current Liabilities	\$402,520	\$80,954	\$895,911	\$0	\$421,272	\$24,712	\$183,397	\$684,085	\$2,692,851	-\$1,418,152	\$1,274,699
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$3,809,700						\$3,809,700		\$3,809,700
352 Long-term Debt, Net of Current - Operating Borrowings											
353 Non-current Liabilities - Other					\$101,936				\$101,936		\$101,936
354 Accrued Compensated Absences - Non Current											
355 Loan Liability - Non Current											
356 FASB 5 Liabilities											
357 Accrued Pension and OPEB Liabilities											
350 Total Non-Current Liabilities	\$0	\$0	\$3,809,700	\$0	\$101,936	\$0	\$0	\$0	\$3,911,636	\$0	\$3,911,636
300 Total Liabilities	\$402,520	\$80,954	\$4,705,611	\$0	\$523,208	\$24,712	\$183,397	\$684,085	\$6,604,487	-\$1,418,152	\$5,186,335
400 Deferred Inflow of Resources											
508.4 Net Investment in Capital Assets	\$4,346,492		\$1,549,671		\$33,997			\$46,377	\$5,976,537		\$5,976,537
511.4 Restricted Net Position					\$178,482				\$178,482		\$178,482
512.4 Unrestricted Net Position	\$3,515,983	\$0	-\$364,742	\$0	\$0	\$0	\$0	\$115,985	\$3,267,226		\$3,267,226
513 Total Equity - Net Assets / Position	\$7,862,475	\$0	\$1,184,929	\$0	\$212,479	\$0	\$0	\$162,362	\$9,422,245	\$0	\$9,422,245
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$8,264,995	\$80,954	\$5,890,540	\$0	\$735,687	\$24,712	\$183,397	\$846,447	\$16,026,732	-\$1,418,152	\$14,608,580

Housing Authority of the City of East Chicago (IN029)
EAST CHICAGO, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	Project Total	14.PHC Public Housing CARES Act Funding	6.2 Component Unit - Blended	14.CCC Central Office Cost Center CARES Act Funding	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$975,911		\$524,035						\$1,499,946		\$1,499,946
70400 Tenant Revenue - Other	\$36,076		\$114,344						\$150,420		\$150,420
70500 Total Tenant Revenue	\$1,011,987	\$0	\$638,379	\$0	\$0	\$0	\$0	\$0	\$1,650,366	\$0	\$1,650,366
70600 HUD PHA Operating Grants	\$2,780,183	\$208,865			\$6,110,469	\$78,151	\$60,807		\$9,238,475		\$9,238,475
70610 Capital Grants	\$1,003,639								\$1,003,639		\$1,003,639
70710 Management Fee								\$654,893	\$654,893	-\$654,893	\$0
70720 Asset Management Fee								\$55,580	\$55,580	-\$55,580	\$0
70730 Book Keeping Fee								\$97,500	\$97,500	-\$97,500	\$0
70740 Front Line Service Fee											
70750 Other Fees											
70700 Total Fee Revenue								\$807,973	\$807,973	-\$807,973	\$0
70800 Other Government Grants											
71100 Investment Income - Unrestricted	\$4,917		\$955		\$500			\$1,076	\$7,448		\$7,448
71200 Mortgage Interest Income											
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery					\$31,791				\$31,791		\$31,791
71500 Other Revenue	\$113,144		\$3,142		\$68,018			\$23,657	\$207,961		\$207,961
71600 Gain or Loss on Sale of Capital Assets											
72000 Investment Income - Restricted											
70000 Total Revenue	\$4,913,870	\$208,865	\$642,476	\$0	\$6,210,778	\$78,151	\$60,807	\$832,706	\$12,947,653	-\$807,973	\$12,139,680
91100 Administrative Salaries	\$452,255	\$96,874	\$27,567		\$303,919		\$23,032	\$601,962	\$1,505,609		\$1,505,609
91200 Auditing Fees	\$7,350		\$1,950		\$3,750			\$2,400	\$15,450		\$15,450
91300 Management Fee	\$549,701				\$105,192				\$654,893	-\$654,893	\$0
91310 Book-keeping Fee	\$31,755				\$65,745				\$97,500	-\$97,500	\$0
91400 Advertising and Marketing											
91500 Employee Benefit contributions - Administrative	\$173,094		\$5,635		\$106,461			\$210,045	\$495,235		\$495,235
91600 Office Expenses	\$136,444		\$15,988		\$88,158			\$118,737	\$359,327		\$359,327
91700 Legal Expense	\$33,469		\$19,044					\$8,654	\$61,167		\$61,167
91800 Travel	\$5,157		\$997		\$319			\$12,105	\$18,578		\$18,578
91810 Allocated Overhead											
91900 Other			\$3,870		\$11,439	\$5,157		\$52,231	\$72,697		\$72,697
91000 Total Operating - Administrative	\$1,389,225	\$96,874	\$75,051	\$0	\$684,983	\$5,157	\$23,032	\$1,006,134	\$3,280,456	-\$752,393	\$2,528,063
92000 Asset Management Fee	\$55,580								\$55,580	-\$55,580	\$0
92100 Tenant Services - Salaries						\$41,056			\$41,056		\$41,056
92200 Relocation Costs											
92300 Employee Benefit Contributions - Tenant Services						\$31,938			\$31,938		\$31,938
92400 Tenant Services - Other	\$23,040								\$23,040		\$23,040
92500 Total Tenant Services	\$23,040	\$0	\$0	\$0	\$0	\$72,994	\$0	\$0	\$96,034	\$0	\$96,034
93100 Water	\$104,814		\$32,384						\$137,198		\$137,198
93200 Electricity	\$219,510		\$40,244						\$259,754		\$259,754
93300 Gas	\$100,610		\$8,712						\$109,322		\$109,322
93400 Fuel											
93500 Labor											
93600 Sewer											
93700 Employee Benefit Contributions - Utilities											

Housing Authority of the City of East Chicago (IN029)
EAST CHICAGO, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	Project Total	14.PHC Public Housing CARES Act Funding	6.2 Component Unit - Blended	14.CCC Central Office Cost Center CARES Act Funding	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
93800 Other Utilities Expense			\$93						\$93		\$93
93000 Total Utilities	\$424,934	\$0	\$81,433	\$0	\$0	\$0	\$0	\$0	\$506,367	\$0	\$506,367
94100 Ordinary Maintenance and Operations - Labor	\$553,516		\$75,883				\$491		\$629,890		\$629,890
94200 Ordinary Maintenance and Operations - Materials and Other	\$172,603		\$42,187		\$1,329		\$7,043		\$223,162		\$223,162
94300 Ordinary Maintenance and Operations Contracts	\$316,232		\$118,218				\$492		\$434,942		\$434,942
94500 Employee Benefit Contributions - Ordinary Maintenance	\$227,384		\$11,360						\$238,744		\$238,744
94000 Total Maintenance	\$1,269,735	\$0	\$247,648	\$0	\$1,329	\$0	\$0	\$8,026	\$1,526,738	\$0	\$1,526,738
95100 Protective Services - Labor											
95200 Protective Services - Other Contract Costs	\$229,493		\$6,296		\$1,053				\$236,842		\$236,842
95300 Protective Services - Other											
95500 Employee Benefit Contributions - Protective Services											
95000 Total Protective Services	\$229,493	\$0	\$6,296	\$0	\$1,053	\$0	\$0	\$0	\$236,842	\$0	\$236,842
96110 Property Insurance	\$97,056		\$46,188		\$1,069				\$144,313		\$144,313
96120 Liability Insurance	\$77,252		\$5,985		\$8,552		\$9,622		\$101,411		\$101,411
96130 Workmen's Compensation	\$22,151				\$5,441		\$11,270		\$38,862		\$38,862
96140 All Other Insurance	\$24,104				\$1,157		\$3,997		\$29,258		\$29,258
96100 Total Insurance Premiums	\$220,563	\$0	\$52,173	\$0	\$16,219	\$0	\$0	\$24,889	\$313,844	\$0	\$313,844
96200 Other General Expenses	\$4,876		\$39,443		\$38,174			\$325	\$82,818		\$82,818
96210 Compensated Absences											
96300 Payments in Lieu of Taxes	\$55,345		\$54,712						\$110,057		\$110,057
96400 Bad debt - Tenant Rents	\$38,989		\$196						\$39,185		\$39,185
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96800 Severance Expense	\$24,883								\$24,883		\$24,883
96000 Total Other General Expenses	\$124,093	\$0	\$94,351	\$0	\$38,174	\$0	\$0	\$325	\$256,943	\$0	\$256,943
96710 Interest of Mortgage (or Bonds) Payable			\$59,729						\$59,729		\$59,729
96720 Interest on Notes Payable (Short and Long Term)											
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$59,729	\$0	\$0	\$0	\$0	\$0	\$59,729	\$0	\$59,729
96900 Total Operating Expenses	\$3,736,663	\$96,874	\$616,681	\$0	\$741,758	\$78,151	\$23,032	\$1,039,374	\$6,332,533	-\$807,973	\$5,524,560
97000 Excess of Operating Revenue over Operating Expenses	\$1,177,207	\$111,991	\$25,795	\$0	\$5,469,020	\$0	\$37,775	-\$206,668	\$6,615,120	\$0	\$6,615,120
97100 Extraordinary Maintenance											
97200 Casualty Losses - Non-capitalized											
97300 Housing Assistance Payments					\$5,628,136				\$5,628,136		\$5,628,136
97350 HAP Portability-In											
97400 Depreciation Expense	\$375,434		\$121,256		\$3,778		\$13,111		\$513,579		\$513,579
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
90000 Total Expenses	\$4,112,097	\$96,874	\$737,937	\$0	\$6,373,672	\$78,151	\$23,032	\$1,052,485	\$12,474,248	-\$807,973	\$11,666,275
10010 Operating Transfer In	\$751,771								\$751,771	-\$751,771	\$0

Housing Authority of the City of East Chicago (IN029)
EAST CHICAGO, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	Project Total	14.PHC Public Housing CARES Act Funding	6.2 Component Unit - Blended	14.CCC Central Office Cost Center CARES Act Funding	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
10020 Operating transfer Out	-\$751,771								-\$751,771	\$751,771	\$0
10030 Operating Transfers from/to Primary Government											
10040 Operating Transfers from/to Component Unit											
10050 Proceeds from Notes, Loans and Bonds											
10060 Proceeds from Property Sales											
10070 Extraordinary Items, Net Gain/Loss											
10080 Special Items (Net Gain/Loss)											
10091 Inter Project Excess Cash Transfer In	\$200,000								\$200,000	-\$200,000	\$0
10092 Inter Project Excess Cash Transfer Out	-\$200,000								-\$200,000	\$200,000	\$0
10093 Transfers between Program and Project - In	\$111,991				\$165,543				\$277,534	-\$277,534	\$0
10094 Transfers between Project and Program - Out		-\$111,991					-\$37,775	-\$127,768	-\$277,534	\$277,534	\$0
10100 Total Other financing Sources (Uses)	\$111,991	-\$111,991	\$0	\$0	\$165,543	\$0	-\$37,775	-\$127,768	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$913,764	\$0	-\$95,461	\$0	\$2,649	\$0	\$0	-\$347,547	\$473,405	\$0	\$473,405
11020 Required Annual Debt Principal Payments	\$0	\$0	\$59,773	\$0	\$0	\$0	\$0	\$0	\$59,773		\$59,773
11030 Beginning Equity	\$6,942,277	\$0	\$1,280,390	\$0	\$209,837	\$0	\$0	\$485,197	\$8,917,701		\$8,917,701
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0			\$0		\$0		\$0		\$0
11050 Changes in Compensated Absence Balance											
11060 Changes in Contingent Liability Balance											
11070 Changes in Unrecognized Pension Transition Liability											
11080 Changes in Special Term/Severance Benefits Liability											
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents											
11100 Changes in Allowance for Doubtful Accounts - Other											
11170 Administrative Fee Equity					\$34,004				\$34,004		\$34,004
11180 Housing Assistance Payments Equity					\$178,482				\$178,482		\$178,482
11190 Unit Months Available	5556		858		10651				17065		17065
11210 Number of Unit Months Leased	4234		835		9480				14549		14549
11270 Excess Cash	\$2,898,514								\$2,898,514		\$2,898,514
11610 Land Purchases	\$0							\$0	\$0		\$0
11620 Building Purchases	\$1,003,639							\$0	\$1,003,639		\$1,003,639
11630 Furniture & Equipment - Dwelling Purchases	\$0							\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$81,970							\$0	\$81,970		\$81,970
11650 Leasehold Improvements Purchases	\$0							\$0	\$0		\$0
11660 Infrastructure Purchases	\$0							\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0							\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0							\$0	\$0		\$0

**THE HOUSING AUTHORITY OF EAST CHICAGO, INDIANA
STATEMENT OF CAPITAL FUNDS COST - UNCOMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2020
EXHIBIT F**

ANNUAL CONTRIBUTION CONTRACT PHASES IN36P029501 - 15, 16, 17, 18, 19 and 20 and IN36E029501-16

	501-15	501-16	501-16 Emergency	501-17	501-18	501-19	501-20	Total
Funds Approved	\$ 1,270,037	\$ 1,300,198	\$ 4,000,970	\$ 1,349,577	\$ 2,076,358	\$ 2,162,253	\$ 2,349,028	\$ 13,238,384
Funds Expended	1,270,037	1,300,198	4,000,970	1,048,984	864,397	1,166,240	806,169	9,186,958
Excess\ (Deficit) of Funds Approve \$	<u> -</u>	<u> -</u>	<u> -</u>	<u> 300,593</u>	<u> 1,211,961</u>	<u> 996,013</u>	<u> 1,542,859</u>	<u> 4,051,426</u>
Funds Advanced	\$ 1,270,037	\$ 1,300,198	\$ 4,000,970	\$ 1,064,829	\$ 1,095,561	\$ 1,166,240	\$ 806,169	\$ 9,433,967
Funds Expended	1,270,037	1,300,198	4,000,970	1,048,984	864,397	1,166,240	806,169	9,186,958
Excess\ (Deficit) of Funds Advance \$	<u> -</u>	<u> -</u>	<u> -</u>	<u> 15,845</u>	<u> 231,164</u>	<u> -</u>	<u> -</u>	<u> 247,009</u>

- 1 Capital Fund Program costs for Phases IN36P029 - 501-15, 16, 17, 18, 19 and 20 and IN36E29501-16, are shown above.
- 2 Cost additions during the audit period were as follows: IN36P029501 - 15 - \$0, 16 - \$57,629, 17 - \$0
18 - \$397,498, 19 - \$1,166,241, and 20 - \$806,149 accordingly, were audited by Velma Butler & Company, Ltd.

SINGLE AUDIT REPORTS

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
In Accordance with Government Auditing Standards**

Board of Commissioners
Housing Authority of the East Chicago, Indiana
East Chicago, IN 46516

U.S. Department of Housing and Urban
Development, Indianapolis Office
Minton-Capehart Federal Building
575 North Pennsylvania, Room 655
Indianapolis, Indiana 46204

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the primary government business type activities and the blended component units of the Housing Authority of the City of East Chicago, Indiana (Authority), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued an unmodified opinion thereon dated February 18, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

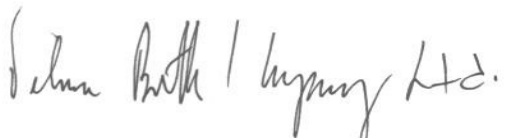
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did not identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Velma Butler & Company, Ltd." The signature is written in dark ink and is positioned above the printed name of the firm.

Velma Butler & Company, Ltd.
Chicago, Illinois

February 18, 2022

Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Board of Commissioners
Housing Authority of the East Chicago, Indiana
East Chicago, IN 46516

U.S. Department of Housing and Urban
Development, Indianapolis Office
Minton-Capehart Federal Building
575 North Pennsylvania, Room 655
Indianapolis, Indiana 46204

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of East Chicago, Indiana (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2020. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

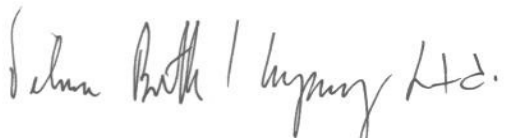
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal controls over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority as of and for the year ended December 31, 2020, and have issued our report thereon dated February 18, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Velma Butler & Company, Ltd.
Chicago, Illinois

February 18, 2022

Independent Auditor's Report on Applying Agreed-Upon Procedures

Board of Commissioners
Housing Authority of the City of East Chicago
East Chicago, IN 46516

U.S. Department of Housing and Urban
Development, Indianapolis Office
Minton-Capehart Federal Building
575 North Pennsylvania, Room 655
Indianapolis, Indiana 46204

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the City of East Chicago, Indiana (Authority) and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with related hard copy documents. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed document listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart below.

We were engaged to perform an audit of the financial statements of the Authority as of and for the year ended December 31, 2020, and have issued our report thereon dated December 23, 2021. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Housing Authority's Financial Data Schedule (FDS) dated December 23, 2021, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the financial statement package and the FDS, which included the auditor's report, is available in its entirety from the Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit report. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of the Housing Authority and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Velma Butler / Company Ltd." The signature is written in dark ink on a light-colored background.

Velma Butler & Company, Ltd.
Chicago, Illinois

February 18, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COST

THE HOUSING AUTHORITY OF EAST CHICAGO, INDIANA
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Deficiencies identified not considered to be material weaknesses?
 Yes None reported

Noncompliance material to financial statements noted?
 Yes None reported

Federal Awards

Type of auditors' report issued on compliance for major programs: **Unmodified**

Internal control over major programs:

Material weakness(es) identified? Yes No

Deficiencies identified not considered to be material weaknesses?
 Yes None reported

Any audit findings disclosed that are required to be reported in accordance with Uniform Audit Guidance?

Yes No

Identification of major program:

U.S. Department of Housing and Urban Development

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.850	Low Rent Public Housing
14.872	Public Housing Capital Fund Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

**THE HOUSING AUTHORITY OF EAST CHICAGO, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CURRENT YEAR
FOR THE YEAR ENDED DECEMBER 31, 2020**

Section II - Financial Statement Findings

There were no reportable findings for the fiscal year ended December 31, 2020.

Section III - Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended December 31, 2020.

**THE HOUSING AUTHORITY OF EAST CHICAGO, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - PRIOR YEAR
FOR THE YEAR ENDED DECEMBER 31, 2020**

Section IV - Financial Statement Findings

There were no reportable findings for the fiscal year ended December 31, 2019.

Section V - Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended December 31, 2019.

**THE HOUSING AUTHORITY OF EAST CHICAGO, INDIANA
STATEMENT OF COMPLIANCE WITH
SECTION 8 MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2020**

Velma Butler & Company, Ltd. audited the Authority's compliance with the Section 8 Housing Management Assessment Program and did not observe any material instances of noncompliance.

**THE HOUSING AUTHORITY OF EAST CHICAGO, INDIANA
STATEMENT OF COMPLIANCE WITH
PUBLIC HOUSING ASSESSMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2020**

Velma Butler & Company, Ltd. audited the Authority's compliance with the Public Housing Assessment System Program and did not note any material instances of noncompliance.